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AICPA *Washington Report*

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AGRICULTURE, DEPARTMENT OF

Proposed rules on grants for the Special Supplemental Food Program for Women, Infants, and Children have been issued by the Food and Nutrition Service (see the 1/7/79 Fed. Reg., pp.2114-42). The rules would allow for an independent audit of the financial operations of state and local agencies to be conducted by government audit staffs, CPAs, and audit firms under contract to the state or local agencies. Audits would be required to conform with standards issued by the Comptroller General. Comments on these proposed rules are due by 2/23/79. For more information contact Jennifer R. Nelson at 202/447-8206.

COMMODITY FUTURES TRADING COMMISSION

Final rules for commodity pool operators and commodity trading advisors have been published in the 1/8/78 Fed. Reg., pp.1918-29. The rules require operators and advisors to provide prospective customers with a written disclosure statement and to keep certain trading records. In addition, periodic account statements and annual reports must also be provided. Exemptions are also provided for certain operators and advisors from registering with the Commission. These rules are effective as of 4/1/79. For further information contact the Office of Chief Counsel, Division of Trading and Markets, CFTC, at 202/632-5124.

COST ACCOUNTING STANDARDS BOARD

A progress report on the Board's operations during fiscal year 1978 has been sent to the Congress. The report details the cost accounting standard on insurance costs that was promulgated by the Board on 9/20/78. It also notes the status of research projects currently in process at the Board. These include a study of the differences between direct and indirect cost, accounting for the cost of service centers, allocation of material-related expenses, and allocations of indirect costs. Other potential cost accounting standards are also listed. The report includes a comprehensive list of all major rules, regulations and standards issued by the Board since 1972. For more information contact 202/275-6111.

ENERGY, DEPARTMENT OF

Proposed rules for cost sharing grants for technical assistance programs on energy conservation for schools, hospitals, and local government institutions have been published in the 1/5/79 Fed. Reg., pp.1580-97. The grants will be used to identify and install energy conservation measures in schools and hospital buildings. Program management, including financial auditing, monitoring, and evaluation of activities will be administered on the state level. Technical assistance auditors will be required to certify that modifications conform to reports and approved applications. Comments on these proposals are sought by 2/3/79. For more information contact Michael Willingham at 202/633-8640.

Final rules on organizational conflicts of interest have been issued by the Department (see the 1/11/79 Fed. Reg., pp.2556-62). The rules establish policies and procedures designed to avoid or mitigate contractual relationships which might lead contractors to give advice and assistance that is not unbiased, impartial, objective, and technically sound. The rules also seek to reduce the opportunities for an unfair competitive advantage to accrue to a contractor. Prospective contractors will be required to disclose pertinent

information bearing on possible organizational conflicts and specific clauses designed to prevent such conflicts will also be required. The rules are effective as of 1/11/79. For further information, contact Edward Lovett at 202/379-9057.

FEDERAL HOME LOAN BANK BOARD

A revised bulletin concerning audits of insured institutions has been published by the Board in the 1/10/79 Fed. Reg., pp.2188-91. The bulletin, PA-7-1a, provides guidance to Federal Savings and Loan Insurance Corporation-insured institutions on the minimal acceptable standards for audits of such institutions using electronic data processing (EDP). It represents the views of the Bank Board's examinations staff as to the requirements of annual audit rules and regulations and applies specifically to audits conducted on or after 1/1/79. Topics covered in the bulletin include the organization of an EDP department, physical security, computer programming, and system controls. For more information contact Allan B. Guerrina, Chief Accountant's Section, Office of the Federal Savings and Loan Insurance Corporation at 202/377-6529.

INTERSTATE COMMERCE COMMISSION

The elimination of an annual report form M-4 for motor carrier holding companies has been approved by the Commission (see the final rule published in the 1/8/79 Fed. Reg., p.1740). All motor carriers, including holding companies, are now required to file form M which contains consolidated financial data as supplemental information, thus eliminating the need for form M-4. This decision is effective for reporting years beginning 1/1/78. For more information contact Bryan Brown, Jr., Chief, Section of Accounting, at 202/275-7488.

JUSTICE, DEPARTMENT OF

Recommendations to improve the administration of the antitrust laws made by the National Commission for the Review of Antitrust Laws and Procedures will be made public by the end of the month. The Commission is scheduled to meet on 1/16/79 to forward their report to the President. It has been reported that several members of the Commission will dissent to several recommendations such as the proposed standard for attempts to monopolize, which some consider to be overboard. A printed version of the report, including dissenting views, will be available on 1/29/79.

OFFICE OF MANAGEMENT AND BUDGET

A plan for the study of Federal Assistance Programs (FAPs) and current administrative practices has been issued by OMB (see the 1/8/79 Fed. Reg., pp.1900-05). The goal of the study is to develop a comprehensive guidance system for FAPs that will establish general policy and administrative requirements. The study will concentrate on issues that apply to all or a broad range of FAPs such as the types of existing guidance documents and processes, alternatives for a comprehensive system of guidance for FAPs, alternative means for implementing FAPs, equity considerations, research and development concerns, and recipient-related issues. This notice is the final study plan and it reflects comments received on an earlier published draft. For more information on the study contact Thomas L. Hadd at 202/395-5156.

RENEGOTIATION BOARD

The twenty-third annual report of the Board, which covers operations during fiscal year 1978, has just been released. The report includes a brief description of the purpose and process of renegotiation and notes changes in operating procedures made during the year. It also includes an account of excess profits determinations and renegotiable sales and profits. Excess profits determinations in 1978 amounted to over \$34 million. The report also contains a detailed company-by-company breakdown of 37 excessive profits determinations conducted in 1978.

In a related development, it has been reported that the White House will give strong support to efforts to keep the Board in operation. In a recent speech, White House domestic policy adviser Stuart Eizenstadt stated that if the Board is abolished, "it will be over our strong opposition." The Board was only granted appropriations for operation until 3/31/79 in the last session of Congress and is slated to go out of operation on that date.

SECURITIES AND EXCHANGE COMMISSION

An advisory committee on oil and gas accounting has been established by the Commission (see Rel. 33-6011). The committee will be charged with aiding the Commission staff in developing "reserve recognition accounting" which was the Commission's answer to the problem of establishing a uniform accounting system for oil and gas producers. SEC Chief Accountant A. Clarence Sampson, speaking on 1/9/79 at the AICPA National Conference on Current SEC Developments, stated that the members of the advisory committee will be named shortly and that it is hoped that the committee will have its first meeting before the end of January.

The Supreme Court has ruled that findings against a corporation in a lawsuit brought by the SEC are binding against the company in any later lawsuit brought by a private shareholder. The decision in Parklane Hosiery v. Shore is expected to provide an increased incentive for a company to reach out-of-court settlements with the SEC and other agencies so that private parties will be required to prove factual issues in subsequent suits.

TREASURY, DEPARTMENT OF

The AICPA Federal Tax Division has submitted comments to the Internal Revenue Service on proposed regulations for determining whether a tax imposed by a foreign country is a creditable foreign tax under the Internal Revenue Code. The comments were formulated by the International Tax Policy Task Force and the International Taxation Subcommittee of the Tax Division.

Anyone wishing to receive one free copy of the AICPA's comments on the foreign tax credit may do so by calling the Washington Office at 202/872-8190 extension 47 prior to 1/24/79 and requesting Document 47-1.

A comprehensive guide designed to aid individuals filing their 1978 tax returns has been issued by the IRS. The 1979 edition of "Your Federal Income Tax", Publication 17, includes a step-by-step procedure to follow in filing tax returns and making such determinations as income averaging and computation of the minimum and maximum tax. The publication also includes tax tables for all filing statuses and toll-free numbers to call for further tax information. Publication 17 is available free at all local IRS offices.

A report on legislative review activity during the 95th Congress of the Ways and Means Committee has been printed (see House Report No.95-1825). The report highlights activity involving the Internal Revenue Code and Tax Administration which included review of certain provisions in the Tax Reform Act of 1976 such as the taxation of Americans working abroad, technical corrections, and postponement of effective date of carryover basis provisions. A description is included of the oversight of IRS audit programs as well as IRS taxpayer assistance efforts.

Changes in IRS-Labor Department administration of pension plans are summarized in an announcement issued by the IRS (see IRS Announcement 79-6). In general, the Labor Department will have exclusive rulemaking and interpretative jurisdiction and exemptive authority over fiduciary responsibility and prohibited transaction matters and transfers to the IRS exclusive jurisdiction, variance, and waiver authority over minimum standards of participation, vesting and funding. A detailed listing of the types of opinions and rulings that will be issued by each agency is also provided and should be consulted by practitioners needing advice on ERISA matters.

Proposed rules on homeowner associations have been published by the IRS (see the 1/9/79 Fed. Reg., pp.1985-89). The proposed rules cover changes made by the Tax Reform Act of 1976 that reduce the tax liability for qualified homeowner associations. Rules are provided on association organization and operation as well as the source of association income. Comments on the regulations are due by 3/12/79. These amendments are proposed to be effective for taxable years beginning after 12/31/73. For further information contact David Jacobson at 202/566-3923.

Taxpayers who have reported sales of inherited property under the carryover basis provisions of the 1976 Tax Reform Act will be required to file amended tax returns (see IR-2071). The IRS reminds taxpayers that the carryover provisions were suspended until after 12/3/79 and as a result, amended returns must be filed if those rules were followed. Under the Revenue Act of 1978, the basis of property from a decedent dying before 1/1/80 is generally the fair market value at the date of death or an alternative valuation date.

SPECIAL: SEC CHAIRMAN ADDRESSES AICPA SEC CONFERENCE

The accounting profession's self-regulatory efforts will only be successful if the profession is able to identify and address adequately the changing needs of those who rely upon accountants independent assurances of corporate accountability. That was the conclusion of SEC Chairman Harold M. Williams whose speech was one of the highlights of the AICPA Sixth National Conference on Current SEC Developments held on 1/9 and 1/10/79 in Washington. Chairman Williams reviewed significant developments affecting the profession during 1978 and noted that the AICPA SEC Practice Section had made "dramatic studies toward effective self-regulation". He further stated, however, that such issues as peer review and scope of services must continue to be addressed in order to assure the independence of CPAs and the viability of self-regulation.

Another conference highlight was the address by FASB Chairman Donald J. Kirk who unveiled the Board's new proposal entitled "Financial Reporting

and Changing Prices" which would require larger publicly-held companies to include inflation-adjusted data in their next annual report. Companies would provide a supplementary revised calculation of income from continuing operations either on a "current cost" basis or a "historical cost" basis adjusted for changes in the consumer price index under the FASB proposal.

In addition, the conference featured a key note speech by SEC Chief Accountant A. Clarence Sampson who highlighted accounting issues facing the Commission and panel sessions on such varied topics as audit committees, internal accounting controls and the Foreign Corrupt Practices Act, segment reporting, and small business registration and reporting. The conference was attended by over 500 representatives from public accounting, major corporations, and government agencies.

For further information contact:
Steven Woolf or Susan Retter
202/872-8190

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